

BUDGET 2018-19

HIGHLIGHTS

- **Corporate tax reduced to 25%** from 30% for companies with annual turnover of up to Rs 250 crore.
- **No change in personal income tax slabs.**
- **100% tax rebate** for farmer producer companies having a **turnover of Rs 100 crore.**
- Incentives for **senior citizens**: Exemption on interest income to be increased from Rs 10000 to Rs 50,000. Applies to all fixed deposit scheme.
- **Standard deduction of Rs 40,000** introduced in lieu of transport and medical reimbursements for salaried employees.
- Long-term capital gains exceeding Rs 1 lakh to be **taxed at the rate of 10%.**
- **Custom duty on mobile phones increased to 20% from 15%.**
- No more education cess on imported goods. Will be replaced by social welfare surcharge of 10%.
- **Customs duty on raw cashew cut from 5% to 2.5%.**
- Govt. to contribute **12% of EPF** contribution for **new employees** in all sectors. **Women contribution to EPF reduced to 8% from 12% for first 3 years of employment.**
- **Individual enterprises to have unique IDs.**
- Jaitley says **crypto currency is not legal tender.**

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SUB POINTS

1. **No change in Tax Rate.** All persons including individuals, HUF, Firms and Companies to pay same tax . However Education cess is being increased from 3 to 4 % to be known as Education and Health cess.
2. However for Domestic Companies having total turnover or gross receipts not exceeding Rs 250 crores in Financial year 2016-17 shall be liable to pay tax at 25% as against present ceiling of Rs 50 crore in Financial year 2015-16.
3. **Long term Capital gain exemption** under section 10(38) in respect of listed STT paid shares **being withdrawn.**
4. However capital gain up to 31.1.2018 shall not be taxed as cost of acquisition will be taken as Fair Market Value as on 31.1.2018.
5. Tax on STT paid long term capital Gain will be 10% under Section 112A. Further such tax will be liable for TDS.
6. **Standard Deduction of Rs 40,000 for salaried employees.** However benefit of transport allowance of Rs 19,200 and Medical Reimbursement of Rs 15,000 under Section 17(2) are being withdrawn. Thus net benefit to salaries class only Rs 5,800
7. Provision of Section 43CA, 50C and 56(2)(x) being amended to allow 5% of sale consideration in variation vis a vis stamp duty value. On account of location, disadvantage etc.
8. Provision of section 40(ia) and 40A(3) and 40A(3A) are being made applicable to Charitable Trust . Hence expenditure incurred without deduction

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of tax and in cash will not be eligible as application of income under section 10(23C) and section 11(1)(a).

9. Agriculture Commodity Derivates income /loss also not to be considered as speculative under section 43(5).

10. Income Computation and Disclosure Standards (ICDS) being given statutory backing in view of decision of Delhi High Court decision.

11. Marked to market loss computed as per ICDS to be allowed under section 36.

12. Gain or loss in Foreign Exchange as per ICDS to be allowed under new section 43AA.

13. Construction Contract income to be computed on percentage completion method as per ICDS.

14. Valuation of Inventory including Securities to be as per ICDS.

15. Interest on compensation, enhanced compensation. Claim or enhancement claim and subsidy, incentives to be taxed in the year of receipt only as per new Section 145B.

16. Conversion of stock in trade to capital asset to be charged as business income in the year of conversion on Fair Market value on the date of conversion.

17. 54EC benefit of investment in Bonds to be restricted to Capital gain on land and building only. Further period of holding being increased from 3 years to 5 years.

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18. PAN to be obtained by all entities including HUF other than individuals in case aggregate of financial transaction in a year is Rs 2,50,000 or more. All directors, partners, members of such entities also to obtain PAN.

19. All companies irrespective of income to file return and in case it is not filed, such companies will be liable for prosecution irrespective of the fact whether it has tax liability of Rs 3,000 or not.

20. Assessments to be E assessment under new section 143(3A)

21. No adjustment under section 143(1) while processing on account of mismatch with 26AS and 16A.

22. Deemed dividend to be taxed in the hands of the company itself as Dividend Distribution of tax @ 30%.

23. Penalty for non filing financial return as required under section 285BA being increased to Rs 500 per day.